



Remarks For

The Hon. Jovita Carranza  
Deputy Administrator  
U.S. Small Business Administration

Delivered At The

**20<sup>th</sup> ANNUAL SMALL BUSINESS HIGH-TECH CONFERENCE**

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Thank you, Alberto, for that nice introduction. Thank you also for having me here today.

It's great to see so many people here today – I think attendance will be around 1,000, which is exciting to hear. This conference really is a great opportunity for small business owners and for prime contractors and government agencies, so I'm very happy to see so many of you taking advantage of it.

I'd like to thank everyone who put in all the work necessary to make a conference like this a success.

I'd also like to thank NASA and JPL for their support, without which this event could not happen.

And be sure to express your appreciation for all of the presenters. They have a lot of expertise and information to share with you, so I encourage you to make the most of it.

The SBA sponsors numerous matchmaking and outreach conferences across the country every year, and I think is one particularly important because of the essential role that innovative small firms have in keeping our economy strong and competitive.

As President Bush has said,

*Small business entrepreneurs are some of the great innovators in our nation. After all, men and women who run small businesses have a vision to see beyond what is, and the courage to pursue what might be.*

Let me say a few words about the small business economy we have today in the United States.

In 1925, Calvin Coolidge, our thirtieth president, said that "the business of America is business." For millions of Americans 83 years later, that business is small business.

Nationally, small businesses account for about 99 percent of all employers and employ over half of the private work force and create two out of three new jobs in our economy. Small businesses also account for about 50 percent of our nonfarm gross domestic product.

Think about this.... three-quarters of the Fortune 100 companies last year were not even on the list 25 years ago. This is a story of business incarnation and growth which has defined the last half century of our economic history.

Moreover, small businesses are leading incubators of innovation. Innovative small businesses generate about thirteen times as many patents per employee as their larger competitors.

Small businesses play an important role in our nation's economy and it is important they have opportunities to bid on and win contracts.

At SBA, we have the noble mission of helping small businesses across the country succeed. SBA's programs include financial and federal procurement assistance and management assistance.

- We guarantee private sector loans to help more small business get capital. Our portfolio of loans and investments is more than \$75 billion.
- We help more than 1 million entrepreneurs every year get counseling and technical assistance through a national network of partners.
- We are the federal government's primary source of post-disaster economic recovery assistance
- And we work with federal agencies to help small businesses grow revenues through federal contracts. <\$78 billion in 2006>

I know you all understand that helping small businesses compete in the federal procurement process is more than an issue of fairness – it's simply good business. Small firms are flexible, dynamic, have great customer service, and are often better business partners than their larger counterparts. However, because they are smaller, they don't have the same visibility as larger businesses, therefore are harder to find.

This is where the SBA steps in. The federal government has an overall goal of awarding 23 percent of its federal contract dollars to small businesses. The SBA works with federal agencies to meet that goal.

The federal government missed this goal by .2 percent in Fiscal 2006, the most recent “official” data that we have. Small businesses still received almost \$78 billion in prime federal contracts, and almost \$61 billion in subcontracts.

In the five targeted sub-categories for small business procurement, the federal government made substantial progress in Fiscal 2006.

- Contracting obligations to women-owned small businesses increased by \$1.5 billion – slightly more than 10 percent over 2005.
- Small disadvantaged businesses received \$2 billion more in federal contracts;
- 8(a) firms nearly \$700 million more;
- HUBZone companies \$1 billion more; and
- SDVOSB also received \$1 billion more than in fiscal 2005.

In addition to contracting, we help ensure that small businesses receive a fair share of the government’s spending on research dollars.

The SBA is responsible for the federal government’s Small Business Innovation Research Program and the Small Business Technology Transfer Program. SBIR and STTR are important programs to help innovative start-ups to get the money they need to finance research and development, and to take the first steps toward commercialization.

For SBIR, eleven federal agencies qualify – which means they have external research budgets of \$100 million or more – and they must reserve 2.5 percent of their extramural R&D dollars for the program. For STTR, five agencies qualify with budgets over \$1 billion, and 0.3 percent goes to awards through the program. The SBA establishes policy for these programs, and we are also responsible for their oversight, evaluation, and reporting.

The SBIR program provides around \$2 billion to small firms every year for innovation. This money reaches about 3,000 companies every year. As you might expect, this money usually supports firms in industries that specifically advance the respective agency’s objectives: defense, IT, and health, for instance.

It’s important that SBIR is a grant, not a loan, so the program remains accessible to firms that are in their infant stage. The program is needed to address the gap in early-stage innovation financing – to support projects before they receive venture capital financing. Indeed, only about 3 percent of SBIR firms have any venture capital funding.

By keeping the program’s focus on early-stage innovation financing, we are ensuring that it continues to do what it is suppose to do – and that is to promote technological innovation by small, high-tech businesses.

Now, we’re focused on making changes to our contract program so that:

- we are more responsive and offer better support, both to agencies and small businesses...

- so that we bring more transparency to the process...
- so that we have more accurate data...
- and so that we are more accountable, and holding other agencies more accountable as well.

Our primary tools are our procurement center representatives. We reoriented our PCRs to work more intensively with federal procuring offices in order to help agencies meet their contracting goals.

And we've authorized more PCRs – an increase of 66 nationwide in 2008, which is up from 52 in 2006.

We're also increasing our support by leveraging better IT solutions. We implemented an enhancement to the CCR Dynamic Small Business Search called the Quick Market Search. This tool will allow all procurement officials to conduct market searches quickly and easily to find firms that meet their requirements and can perform the contract.

In addition to greater support at the front end, we've also taken steps to ensure greater integrity and accuracy of small business procurement data.

Because of miscoding and other anomalies, contracts were incorrectly being counted toward the federal government's small business procurement goal.

We have worked with the Office of Federal Procurement Policy, General Services Administration, and acquisition agencies to improve the quality and integrity of

small business data entered into the government's contracting information system.

Over 11 million contract actions were reviewed in order to correct miscoded contracts. We removed \$4.6 billion in miscoded contracting actions. This caused the percent of procurement dollars being counted toward the small business goal to drop – going from meeting the government-wide 23 percent goal to missing it. This was tough, but necessary.

To further ensure the integrity of our data, we needed to address the issue of businesses that won contracts when they were small, but during the life of the contract, grew beyond being a small business, or were acquired by larger firms. These firms were still being recorded as small businesses, and were being counting toward the small business goals.

We think it's great for small firms to grow, of course. Our efforts are intended to help small businesses become successful enough that they can be large businesses. But we don't want their contracts to be counted as small businesses indefinitely.

So last year we published regulations requiring small businesses to periodically recertify as small. These regulations went into effect at the end of June 2007. So when small businesses merge or are acquired, they are required to recertify immediately; growing small businesses have a grace period, and are only required to recertify every 5 years.



This change will have an effect similar to scrubbing the data in terms of its impact on the value of contracts recorded as small business contracts. Our estimate is that initially 2,300 concerns and approximately 250 annually thereafter, will be affected by this rule. It's going to reduce the recorded value of small business contracts, but, taken together, these requirements will yield quantum improvements in the quality of contracting data, including small business information.

Now, I would also like add that we are completing a comprehensive review of our size standards over a two year period. The last overall review of size standards occurred during the early 1980s. Since that time, most reviews of size standards have been limited to specific industries and inflation adjustments, as requested by industry or other partners.

We all know that a lot has changed since the 1980s, and we need to re-evaluated all of our size standards for supportability and consistency.

But we also know that we need to go about this in the right way. And that means listening to and understanding the concerns of everyone involved, from federal agencies to small businesses to industry groups that represent firms that are small, medium and large.

It's essential for us to listen and understand the needs of stakeholders. That means understanding how changing the size standard affects all companies across the board.

We also need to make agencies more accountable, and we're doing that by tracking their performance through a scorecard.

The scorecard is modeled on the one used to track the President's Management Agenda. It rates 24 federal agencies on how well they have met their small business procurement goals, and progress toward those goals.

By doing this, we're bringing greater transparency and accountability to the process.

In all, these improvements will encourage agencies to provide new genuine opportunities to small businesses in order to meet their goal. Federal procurement dollars are a vital way of expanding competition and invigorating entrepreneurship, and ensuring that federal agencies make more real contracting opportunities available to small businesses is an essential way the SBA works toward that goal. And this is in the interests not only of small business owners, but it's in our wider economic interests as well.

Recognizing that small businesses are strong economic engines and providers of vast opportunity, the Small Business Administration has, over the years, helped many of our nation's best known companies get their start.

Intel, FedEx, Amgen, Outback Steakhouse, Apple, Ben & Jerry's, Callaway Golf, Staples, Under Armour, and Nike are some of SBA's Hall of Famers.

So if you get some help from the SBA along the way, you're in good company.

You have a great program today, and I encourage you to take advantage of all of the resources available, both here today through SBA and our resource partners.

I'll leave you with this thought as you go about your day: Running a small business is demanding – I don't have to tell any of you. It requires initiative, dedication, and, most of all, lots of hard work. But the SBA is here to help, to enable your success.

In closing, I would like to thank you for participating in the conference today, and wish everyone here today success in your small business and contracting endeavors.